

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /083 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 0339

CONFIDENTIAL BUENOS AIRES 1822

E.O. 11652: GDS

TAGS: EINV, ETRD

SUBJ: TRADE ACT OF 1974--COUNTRY ELIGIBILITY FOR GENERALIZED

PREFERENCES (GSP)

REF: A. STATE 22693; B. STATE 51555

1. AS DEPT AWARE EMBASSY HAS SEVERAL COMPLEX CASES THAT MIGHT RELATE TO ELIGIBILITY, AND EMBASSY IS CHECKING ITS RECORDS TO MAKE SURE WE ARE CURRENTLY INFORMED ON ALL SUCH CASES. FOLLOWING IS STATUS OF CURRENT ACTIVE CASES.

2. STANDARD ELECTRIC/ITT. SEE BA 1092; BA 1054; BA 969; BA 889; BA 8595 NOV 22, '74 AND PREVIOUS. WE ALSO FORWARDING BY POUCH TO ARA/APU MEMCONS OF CONVERSATIONS LAST THREE WEEKS WITH ITT REPS. IT WAS OUR UNDERSTANDING FROM ITT VICE PRES SILVER THAT ITT REPS WOULD BE INCONTACT THIS WEEK WITH DEPT OFFICIALS ONLATEST DEVELOPMENTS. (ITT VICE PRES GUILFOYLE MET WITH ECON MIN GOMEZ MORALE ON MARCH 6). AS OF MAR 13, COMMITTEE TO BE APPOINTED UNDER DECREE 259 HAS NOT BEEN NAMED. EMBASSY CONTINUES TO REPORT ON STANDARD.

3. DELTEC. THE DELTEC CASE REMAINS IN ARGENTINE COURTS, AND THE SITUATION (AS DISTINCT FROM EMBASSY EFFORTS TO ASSIST) HAS CONFIDENTIAL

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NOT CHANGED IN SEVERAL MONTHS. REFS INCLUDE: BA 7100, SEP 23, '74;

BA 6811, SEP 10, '74; BA 6721 SEP 6, '74; BA 6130, AUG 16, '74;

BA 5893, AUG 7, '74; BA 874 FEB 4, '74 AND BA 8788 DEC 3 '73.

THE COURTS CONTINUE TO INVESTIGATE AND TAKE STATEMENTS.

4. EXXON. REFS ARE: BA 9005 DEC 12, '74; BA 8829, DEC 4, '74; BA 8035, NOV 1, '74. REFTELS SUMMARIZE MAJOR DEVELOPMENTS IN ESSO CASE. CURRENTLY, ESSO NEGOTIATING WITH GOA FRAMEWORK OF ITS FUTURE OPERATIONS IN ARGENTINA. RECENTLY, IT PRESENTED TO GOA TWO BASIC PROPOSALS FOR CONSIDERATION. UNDER PROPOSAL 1, ESSO WOULD SELL APPROXIMATELY 75 PERCENT OF ITS MARKETING NETWORK TO YPF, KEEPING REMAINING 25 PERCENT AND OPERATING REFINERY AND TANKER FLEET FOR ITW OWN ACCOUNT AS BEFORE. UNDER PROPOSAL 2, ESSO WOULD SELL ITS ENTIRE MARKETING NETWORK TO YPF AND RENT REFINERY TO YPF FOR FIVE YEARS. AT END OF THIS PERIOD, YPS WULD HAVE OPTION OF BUYING REFINERY OR RETURNING IT TO ESSO. ESSO IS NOW AWAITING GOA RESPONSE TO THESE PROPOSALS.

5. CHASE MANHATTAN. REFS ARE: BA 604; BA 247; BA 7566, OCT 10, '74. AFTER APPROXIMATELY YEAR AND HALF, GOA HAS YET TO ISSUE DECREE SETTING FINAL COMPENSATION OFFER FOR "RENATIONALIZED" BANKS, ALTHOUGH BANKS INVOLVED KNOW INFORMALY WHAT OFFER WILL BE. ITS NOT CLEAR WHETHER POLITICS, OR RED TAPE, OR COMBINATION OF BOTH IS HOLDING UP ISSUANCE OF DECREE.

6. CHASE SITUATION CONTINUES MOST CONFUSED. ITS SUBSIDIARY HERE, BANCO DE COMERICO, HAS NOW BEEN INTERVENED FOR ALMOST SIX MONTHS. WHEN GOA ISSUES FINAL COMPENSATION DECREE, CHASE WILL LIKELY REJECT IT AS INADEQUATE AND INITIATE LEGAL ACTION AGAINST GOA.

7. MEANWHILE, CHASE APPLICATION FOR INVESTMENT BANK, FILED IN JANUARY, IS CURRENTLY UNDER CONSIDERATION BY CENTRAL BANK ALONG WITH SEVERAL OTHER PROPOSALS FROM DOMESTIC AND FOREIGN FINANCIAL ENTITIES. CHASE IS OPTIMISTIC, BASED ON CONVERSATIONS WITH GOMEZ MORALE, THAT GOA WILL ACCEPT ITS OFFER. NEVERTHELESS, IT IS STILL LIKELY TO INITIATE LEGAL PROCEEDINGS AGAINST GOA ON COMPENSATION OFFER FOR BANCO DE COMERICO.

8. EMBASSY IS LOOKING FURTHER INTO OTHER CASES. TWO POSSIBLE
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RELATE TO A) LECHIGUANAS, SA, A PROPERTY IN ENTRE RIOS PROVINCE; AND B) PARKE DAVIS & CO. IN CONNECTION WITH THE REVOCATION OF A CONTRACT.

9. COMMENT: IN THE CASES OF EXXON AND STANDARD/ITT IT WOULD APPEAR THAT GOOD FAITH NEGOTIATIONS ARE IN PROGRESS IN ACCORD SECTION 502(0)4, EVEN THOUGH THEY MAY BE PROTRACTED. WITH RESPECT TO DELTEC, WE DO NOT KNOW WHAT THE COMPENSATION MAY BE

SINCE THE MATTER IS STILL IN THE COURTS. IN THE CHASE MANHATTAN CASE, IT WOULD BE HARD TO ARGUE THAT EITHER PROMPT OR ADEQUATE COMPENSATION WILL BE PAID. ON OTHER HAND, ARGENTINA APPEARS COMMITTED TO PAY FOR ALL RENATIONALIZED BANKS AND IS MOVING, ALBEIT SLOWLY, TO DISCHARGE ITS INTERNATIONAL OBLIGATIONS. IN THIS REGARD, CHASE ITSELF WISHES TO REMAIN IN ARGENTINA.

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